

Statement of Rick Surratt
Deputy National Legislative Director
of the
Disabled American Veterans
before the
Committee on the Budget
United States House of Representatives

Hearing on the Fiscal Year 2005 Budget Priorities for the Department of Veterans Affairs
February 12, 2004

Mr. Chairman and Members of the Committee:

Representing the 1.5 million members of the Disabled American Veterans (DAV) and its Auxiliary, I am pleased to appear before you along with the DAV's three partners in *The Independent Budget* (IB)—AMVETS, the Paralyzed Veterans of America (PVA), and the Veterans of Foreign Wars of the United States (VFW)—to discuss our budget priorities for veterans' programs for fiscal year (FY) 2005.

Since 1987, the DAV has joined with these three other major veterans' organizations to assess the functioning and the resource needs of veterans' programs and to present our recommendations for funding and program improvements as an alternative to the President's budget submission. Rather than each organization testifying on the entire range of programs, each limits its testimony predominantly to the areas of the IB for which it is the principal author. Accordingly, I will focus on the benefit programs for veterans and their associated administrative costs, although I want to join with my colleagues in stressing the importance of one other issue, the funding of veterans' medical care.

Unlike the President's budget submission, where requests for legislation or funding to improve the benefits or their delivery system have become sparse in recent years, the IB is not constrained by a mix of political priorities and therefore includes several recommendations to correct identified shortcomings. To us, veterans' programs are a continuing cost of national defense and must always remain a priority for funding by Congress.

Among our recommendations, the one with a high level of veteran interest and with perhaps the largest requirement of budgetary resources is our recommendation to remove entirely the offset between military retired pay and veterans' disability compensation. Last year, Congress enacted legislation to relieve some veterans from the injustice, but it left the injustice in place for all other military retirees who must forfeit the retired pay they earned in return for 20 or more years of military service to receive the compensation they are due for the effects of service-connected disabilities. Removal of this injustice entirely continues to be a top priority of the IB and all major veterans' and military organizations.

We do have other compelling issues that would not require the same levels of spending as repealing the prohibition against concurrent receipt of military retired pay and disability

compensation. Within the range of benefits provided to veterans for various purposes, benefits for service-connected disabilities are the core veterans' programs. For the same reasons that it is important to adjust compensation rates regularly to prevent the purchasing power of this benefit from decreasing with increases in the cost of living, it is necessary to regularly adjust the rates of other disability benefits to maintain their value in the face of increasing costs. Congress has neglected doing this for benefit programs established to assist some of our most severely disabled veterans.

Service-connected disabilities result in functional impairments that not only adversely impact upon veterans' ability to perform job functions but also adversely impact upon their ability to perform the everyday activities of living. For veterans suffering from service-connected disabilities that require special fixtures and modifications to allow them mobility and independence within the home, the Department of Veterans Affairs (VA) provides grants for the purchase or construction of specially adapted housing. For veterans with service-connected disabilities that interfere with their ability to operate motor vehicles, VA provides grants for the purchase and special modification of automobiles. Unlike compensation and other Government benefits that are adjusted each year for the increase in the cost of living, these benefits have been raised infrequently, although, like the price of other consumer goods, the costs of homes and vehicles increase with regularity. With long periods between adjustments, the value of these benefits has fallen substantially behind rising costs. Congress increased these grants last year, but the increase did not equal their cumulative loss in value and therefore did not fully restore them to the value they had when first established.

For example, the grant for the purchase or construction of specially adapted housing is currently \$50,000. Obviously, that will not begin to cover the costs of a home with modifications such as wheelchair ramps and handicap-accessible bathrooms.

When first established, the automobile grant was set at an amount sufficient to cover the full costs of a moderately-priced new vehicle. Later, the grant was fixed at 80% of the average cost of new automobiles. Based on the 2003 average price of a new automobile, which was \$26,163, the current \$11,000 automobile allowance covers only about 42% of the cost. To restore the comparability between the cost of an automobile and the allowance, the allowance, based on 80% of the average new vehicle cost, would be \$20,930.

To remedy these deficiencies and to provide a mechanism for regular adjustment, we recommend in the IB that Congress enact legislation to increase the amount of the grants for specially adapted housing and the automobile grant, and to provide for automatic annual adjustments for increased costs.

Because of service-connected disabilities, disabled veterans have difficulty getting or are charged higher premiums for life insurance on the commercial market. VA therefore offers disabled veterans life insurance at standard rates under the Service Disabled Veterans' Insurance (SDVI) program. When this program began in 1951, its rates, based on mortality tables then in use, were competitive with commercial insurance. Commercial rates have since been lowered to reflect improved life expectancy shown by current mortality tables. VA continues to base its rates on mortality tables from 1941, however. Consequently, SDVI premiums are no longer competitive

with commercial insurance, and SDVI therefore no longer provides the intended benefit for eligible veterans. The IB therefore recommends legislation to authorize VA to use modern mortality tables instead of 1941 mortality tables to determine life expectancy for purposes of computing premiums for SDVI.

When life insurance for veterans had its beginnings in the War Risk Insurance program first made available to members of the Armed Forces in October 1917, coverage was limited to \$10,000. A \$10,000 life insurance policy provided sufficiently for the loss of income from the death of an insured in 1917. Today, some 87 years later, maximum coverage under the base SDVI policy is still \$10,000. Given that the annual cost of living is many times what it was in 1917, the same maximum coverage, well over three quarters of a century later, clearly does not provide meaningful income replacement for the survivors of service-disabled veterans. The IB recommends legislation to increase the maximum protection available under the base policy of SDVI from \$10,000 to \$50,000.

Similarly, the maximum coverage under the Veterans' Mortgage Life Insurance (VMLI) program has fallen behind current needs. The maximum VMLI coverage was last increased in 1992. Since then, housing costs have risen substantially. Because of the great geographic differentials in the costs associated with accessible housing, many veterans have mortgages that exceed the maximum face value of VMLI. Thus, the current maximum coverage amount does not cover many catastrophically disabled veterans' outstanding mortgages. Moreover, severely disabled veterans may not have the option of purchasing extra life insurance coverage from commercial insurers at affordable premiums. The IB recommends legislation to increase the maximum coverage under VMLI from \$90,000 to \$150,000.

Though they need fine tuning from time to time, the benefit programs have been carefully crafted by Congress to alleviate the disadvantages veterans suffer as a result of disabilities and as a result of educational and vocational opportunities forgone by young men and women who chose to serve their country before personal advancement. These programs are effective only to the extent the benefits and services are delivered to entitled veterans when they need them. Efficiently and proficiently administering this broad range of programs for millions of veterans naturally and unquestionably presents formidable management challenges. Small mistakes can have major consequences for large numbers of veterans. Management and process deficiencies, and insufficient resources, have consequences that are directly revealed through poor service to veterans.

Although such poor service frustrates veterans who must deal with a massive and complex bureaucracy, it causes more than mere inconveniences. Incorrect decisions deprive entitled veterans of the benefits they need, and long delays due to incorrect decisions and insufficient resources deprive entitled veterans of the benefits they need when they most need them. Of course, the correct and timely payment of disability compensation is imperative for veterans who must rely on compensation for food and shelter.

In fulfilling its mission of effective management of the benefit programs and effective delivery of benefits and services, VA's Veterans Benefits Administration (VBA) has a checkered history, especially in accurate and timely delivery of the core veterans' benefit, disability compensation.

Some of the failures were self-inflicted and the product of a wrong-headed institutional mindset, others were due to more innocent mistakes, and many were caused or compounded by insufficient resources or other factors beyond VA's control.

With a focus and decisive action directed to real reforms and improvement, current management has made some headway in overcoming systemic deficiencies in the delivery of benefits. Congress has helped by providing additional resources to bring the workforce and technology to the capacity required. To continue on the course of restoring VBA to acceptable levels of performance and service to veterans—indeed, to avoid losing the gains made thus far—VBA must continue to devote its full energies to the process, and Congress must continue to provide the resources required to get the job done. The IB makes specific recommendations in both of these areas, but I will only address here our recommendations that involve the discretionary appropriations for the administrative expenses of VA's benefits delivery system.

The President's budget submission for VA clearly does not remain fixed on the objective of strengthening VBA to make it better able to fulfill its responsibilities to veterans. Due to the war in Iraq and the many hostilities in which our Armed Forces are engaged today, we can only expect an influx of new veterans needing VA benefits and services. Logically, more resources will be needed in some areas just to stay even with the workload. However, the President's budget proposes major reductions in resources for the delivery of benefits and services to veterans. For VBA, the President's budget requests 829 fewer full-time employees (FTE) for FY 2005 than authorized at the end of the fiscal year we have just finished, FY 2003. The request is 540 FTE below the FY 2004 level. We note, incidentally, that the difference between the FY 2003 and FY 2005 FTE for VBA is apparently greater than the 829 employees indicated by the budget submission because, at the beginning of FY 2004, the responsibilities and the 31 FTE of the Evidence Development Unit of the Board of Veterans' Appeals (BVA) were reassigned from BVA to VBA, without any corresponding request to increase VBA's authorized FTE by an equal amount.

Under the President's budget request, every benefit line except Insurance Service would lose employees. Even with all-out efforts, VBA's progress in reducing the backlog of work and the waiting times for benefits has been gradual and fairly slow-paced, representative of deliberate efforts within the limits of its abilities under the resource levels available in the past few years. We seriously doubt that VBA can suddenly accelerate and achieve enough productivity improvements to offset such a substantial loss of resources, especially against the weight of added work.

The President's budget proposes 7,270 FTE, or 487 fewer direct program FTE for VA's Compensation and Pension Service (C&P) in FY 2005 than in FY 2003. In addition, the President's budget requests 185 fewer FTE for FY 2005 than it had in FY 2003 for management direction and support and information technology in C&P Service. We also understand that the additional FTE for the Evidence Development Unit assumed by VBA from BVA are charged to C&P Service. With those FTE absorbed by C&P and without any equal increase in the FTE requested for C&P, that number of employees must be calculated as an additional net reduction of FTE for C&P Service when comparing the FY 2003 staffing with the request for FY 2005.

We recommend in the IB that C&P Service be authorized 7,757 FTE for FY 2005. VA had projected that its workload would allow it to draw down its FTE in FY 2005 by approximately 268 below its staffing level of 7,757 FTE at the end of FY 2003. However, those projections did not take into account additional work VA now expects incident to legislation that expanded eligibility for Combat Related Special Compensation and authorized concurrent receipt of military retired pay and disability compensation for certain veterans. VA projects that this legislation will generate 391,000 new claims and 52,869 appellate cases over the next 5 years. In addition, VA projects it will have to rework approximately 48,000 claims to meet the requirements of a court decision invalidating VA procedures that placed unlawful requirements upon veterans. Though most of that work should be done during FY 2004, this additional volume will likely delay work on some of C&P's inventory and carry some extra caseload over into FY 2005. This additional workload requires that VA, at least, have approximately the same direct program staffing levels for FY 2005 that it had at the end of FY 2003.

As with C&P Service, VBA's Vocational Rehabilitation and Employment Service (VR&E) faces major challenges in meeting its responsibilities to disabled veterans under circumstances of heavy workloads and limited resources. The impact of the worldwide war on terrorism, hazardous duty in other locations around the world, and major combat operations in Iraq and Afghanistan, will undoubtedly be felt by VR&E when these veterans begin pouring into the system with the need for rehabilitation training and employment suitable to their service-connected disabilities. To sustain current levels of performance with its projected workload, VR&E needs to retain the staffing strength it had at the end of FY 2003. In addition, the VA Secretary's VR&E Task Team has made a number of recommendations to improve vocational rehabilitation and employment services for veterans. It is projected that approximately 200 additional FTE will be needed to implement these substantial reforms in the programs, organization, and work processes of the VR&E program. At the end of FY 2003, VR&E direct program staffing was 931 FTE. The IB therefore recommends that Congress authorize 1,131 direct program FTE for VR&E in FY 2005. The President's budget requests only 876 FTE for FY 2005, and seeks 21 fewer FTE for management direction and support and information technology than VR&E had in FY 2003.

Similarly, VBA's Education Service expects some increase in its workload, due to legislation last year that expanded coverage of the program to include additional types of training. VA is striving to provide more timely and efficient service to claimants seeking education benefits. Education Service reports gains in these areas during FY 2003. To continue on the course of improvement and to meet the added workload projected, Education Service must at least maintain its FY 2004 staffing level. In FY 2004, Education Service had 766 direct program FTE authorized. The President's budget proposes 737 FTE, or 29 fewer, for FY 2005. The IB recommends that Congress authorize 766 FTE for Education Service in FY 2005.

Finally, I want to reiterate a point made by our IB witness who is covering veterans' medical care in this hearing. That point regards the paramount importance of putting a mechanism in place to end what has unquestionably proven to be an inadequate process for funding veterans' medical care. Year after year, the President's budget request falls well below the minimum needed to maintain medical services for sick and disabled veterans seeking those services from the medical care system established to serve them. Year after year, we must fight an uphill battle

to get more realistic appropriations, and that annual battle is getting ever more difficult despite the strong advocacy from the members of the Veterans' Affairs Committee, who know what resources VA really needs. To get funding to continue operation of their medical programs, veterans should not have to compete with all the many other interests who seek part of the limited discretionary dollars. Veterans and VA should not have to face the yearly uncertainty of whether there will be sufficient funding provided to continue essential medical care services for disabled veterans. Veterans should not have to wait months to be treated for their illnesses. VA should not have to continue operating the largest medical care system in this country on the shoestring of annual appropriations and without any means to plan strategically for long-term efficiencies. We have thoroughly tested the discretionary appropriations process whereby political will, rather than actual resource needs, determines how much funding veterans' medical care receives each year. With consistent experience that funding veterans' medical care under that process has repeatedly failed, and will only continue to be unsatisfactory, the remedy is to guarantee adequate and stable funding through a permanent authorization that uses a reliable formula to project resource needs.

This is an issue a special coalition of nine veterans' organizations will be pressing with the authorizing committees in both chambers, but we will also be taking our case to the entire Congress. If we are successful in getting this legislation enacted, it will have budgetary implications.

Though we recognize that your work on the budget is to establish a broad blueprint for revenue and spending in the upcoming fiscal year, your totals must, of course, take into account the constituent elements of spending, and much of what we hope to accomplish for the veterans of our Nation does unquestionably depend on the support of this Committee. Let me therefore express the DAV's sincere appreciation to the Committee for affording us the opportunity to discuss with you some of our more important legislative and funding issues, involving the most meritorious of Federal benefit programs.